

Message Text

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PAGE 01 STATE 036657
ORIGIN XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-08 COME-00 TRSE-00
CIAE-00 INR-10 NSAE-00 /035 R

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-----121180 110638Z /13
P 110147Z PEB 78
FM SECSTATE WASHDC
TO AMEMBASSY BELGRADE PRIORITY

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E.O. 11652:N/A

TAGS: EGEN, YU

SUBJECT:EXIMBANK OPERATING PROCEDURES

REF: BELGRADE 1012

1. FOLLOWING IS TEXT OF PROPOSED MEMORANDUM OF UNDERSTANDING AS REVISED TO REFLECT COMMENTS BY YOU AND AMBASSADOR BELOVSKI. PLEASE HOLD THIS TEXT WITHIN THE EMBASSY UNTIL YOU RECEIVE BY SEPTTEL OUR COVERING LETTER FROM CHAIRMAN MOORE AND COMMENTS FOR GUIDING EMBASSY EXPLANATIONS OF TEXT TO YUGOSLAV AUTHORITIES.

BEGIN TEXT: MEMORANDUM OF UNDERSTANDING

1. SINCE 1971, EXIMBANK SUPPORT FOR SALES OF U.S. GOODS AND SERVICES TO YUGOSLAV PURCHASERS HAS BEEN PROVIDED PURSUANT TO CERTAIN PROCEDURES DEVELOPED BY THE LIMITED OFFICIAL USE

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EXPORT-IMPORT BANK OF THE UNITED STATES AND THE FEDERAL SECRETARIAT FOR FINANCE AND THE NATIONAL BANK OF YUGOSLAVIA. IT HAS NOW BEEN AGREED THAT THESE PROCEDURES SHOULD BE REPLACED BY THE PROVISIONS SET FORTH BELOW.

2. STARTING ON THE DATE OF THIS MEMORANDUM, THESE

PROVISIONS WILL APPLY TO ALL LOANS, FINANCIAL
GUARANTEES, MEDIUM-TERM GUARANTEES AND INSURANCE EXTENDED

BY EXIMBANK OR THE FOREIGN CREDIT INSURANCE ASSOCIATION
(F.C.I.A.) IN CONNECTION WITH TRANSACTIONS
(TRANSACTION(S)) INVOLVING THE SALE OF U.S. GOODS AND
SERVICES TO YUGOSLAV PURCHASERS.

3. IF EXIMBANK DETERMINES THAT A BANK GUARANTEE IS
REQUIRED FOR A TRANSACTION, SUCH GUARANTEE WILL BE IN THE
FORM OF A JOINT AND SEVERAL GUARANTEE FROM THE FOLLOWING
BANKS OR THEIR SUCCESSORS:

LJUBLJANSKA BANK
PRIVREDNA BANK ZAGREB
PRIVREDNA BANK SARAJEVO
KREDITNA BANK ZAGREB
INVESTMENT BANK TITOGRAĐ
STOPANSKA BANK
BEOGRADSKA BANK
JUGOBANKA
YUGOSLAV INVESTMENT BANK
KOSOVO BANK
VOJVODJANSKA BANK

FOR A TRANSACTION INVOLVING A U.S. CONTRACT VALUE OF
DOLLARS 1,000,000 OR LESS, A GUARANTEE FROM ONE OF THE
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BANKS MENTIONED ABOVE WILL BE ACCEPTABLE TO EXIMBANK.
THE FORM OF ALL GUARANTEES WILL BE NEGOTIATED DIRECTLY
BY EXIMBANK WITH THE BANKS LISTED ABOVE. THE NATIONAL
BANK OF YUGOSLAVIA WILL NOTIFY EXIMBANK OF ANY CHANGE
IN THE AUTHORITY OF ANY OF SUCH BANKS TO PERFORM FOREIGN
OPERATIONS.

4. AS PROVIDED IN YUGOSLAV LEGISLATION, BEFORE A YUGOSLAV
BORROWER OR GUARANTOR INCURS ANY INDEBTEDNESS TO EXIMBANK
OR ANY FINANCIAL INSTITUTION WHICH IS BEING GUARANTEED
BY EXIMBANK UNDER A TRANSACTION, IT WILL HAVE FOLLOWED
ALL NECESSARY PROCEDURES, INCLUDING REGISTRATION WITH THE
NATIONAL BANK OF THE RELEVANT REPUBLIC OR PROVINCE, AND
WILL HAVE PROVED THAT IT IS CREDITWORTHY TO THE
APPROPRIATE YUGOSLAV AUTHORITIES AND THAT IT HAS
SUFFICIENT FOREIGN EXCHANGE RESOURCES TO REPAY ALL AMOUNTS
OWED TO EXIMBANK AND ANY FINANCIAL INSTITUTION WHICH IS
BEING GUARANTEED BY EXIMBANK UNDER A TRANSACTION. IF
NECESSARY AT THE TIME OF REPAYMENT BECAUSE THE BORROWER

OR GUARANTOR DOES NOT HAVE SUFFICIENT UNITED STATES

DOLLARS TO REPAY ANY AMOUNT THEN OWED, THE NATIONAL BANK OF YUGOSLAVIA WILL INTERVENE AND PROVIDE SUFFICIENT UNITED STATES DOLLARS TO SERVICE REPAYMENT. WITH

RESPECT TO ANY TRANSACTION INVOLVING A U.S. CONTRACT VALUE OF MORE THAN DOLLARS 5 MILLION, THE NATIONAL BANK OF YUGOSLAVIA WILL SECURE A SPECIFIC FOREIGN EXCHANGE ASSURANCE FOR EXIMBANK IN WRITING (SEE ANNEX A).

5. THERE MAY BE TRANSACTIONS FOR WHICH EXIMBANK FINDS IT NECESSARY TO REQUIRE AN UNCONDITIONAL GOVERNMENTAL GUARANTEE, BUT EXIMBANK EXPECTS THAT SUCH TRANSACTIONS WILL BE INFREQUENT AND LIMITED TO TRANSACTIONS OF UNUSUAL SIZE OR SIGNIFICANCE. FOR SUCH TRANSACTIONS, EXIMBANK WILL CONSULT WITH THE FEDERAL SECRETARIAT FOR LIMITED OFFICIAL USE

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FINANCE AND THE NATIONAL BANK OF YUGOSLAVIA AS TO THE FORM OF SUCH UNCONDITIONAL GUARANTEE TO BE PROVIDED BY THE NATIONAL BANK OF YUGOSLAVIA OR OTHER YUGOSLAV GOVERNMENT ENTITY WHICH WOULD BE APPROPRIATE UNDER PREVAILING YUGOSLAV LAWS, REGULATIONS AND PROCEDURES.

FEDERAL SECRETARIAT FOR FINANCE

BY:

TITLE:

NATIONAL BANK OF YUGOSLAVIA

BY:

TITLE:

EXPORT-IMPORT BANK OF THE UNITED STATES

BY:

TITLE:

ANNEX A

(LETTERHEAD OF NATIONAL BANK OF YUGOSLAVIA)

EXPORT-IMPORT BANK OF THE UNITED STATES

811 VERMONT AVENUE, N.W.

WASHINGTON, D.C. 20571 U.S.A.

RE: EXIMBANK CREDIT NO.

EXIMBANK GUARANTEE NO.

EXIMBANK SUPPLEMENTARY GUARANTEE AGREEMENT NO.

FCIA INSURANCE POLICY NO.

DEAR SIRs:

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THIS IS TO CONFIRM THAT SUFFICIENT UNITED STATES DOLLARS
WILL BE MADE AVAILABLE TO SERVICE REPAYMENT WHEN DUE OF
ALL AMOUNTS FROM TIME TO TIME OWING UNDER THE TRANSACTION
FOR WHICH THE REFERENCED EXIMBANK OR F.C.I.A. SUPPORT IS
PROPOSED.

NATIONAL BANK OF YUGOSLAVIA

BY:

TITLE: END TEXT. VANCE

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVELOPMENT BANKS, POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 11 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE036657
Document Source: CORE
Document Unique ID: 00
Drafter: R J ALBRIGHT
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Expiration:
Film Number: D780063-1024
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197802115/aaaafqts.tel
Line Count: 190
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON MICROFILM, TEXT ON-LINE
Message ID: 17c321cf-c288-dd11-92da-001cc4696bcc
Office: ORIGIN XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 BELGRADE 1012
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3463658
Secure: OPEN
Status: <DBA CORRECTED> gwr 970828
Subject: EXIMBANK OPERATING PROCEDURES
TAGS: EGEN, YO, EGEN, XMB
To: BELGRADE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/17c321cf-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014